

Auditor's Description of Condition
DSHS Response
Laws & Regulations

The Department of Social and Health Services, Medical Assistance Administration, does not have adequate internal controls in its Medicaid Management Information System to prevent payments to providers with expired licenses.

Background

The Department of Social and Health Services, Medical Assistance Administration is responsible for the Medicaid Management Information System (MMIS), a computer system that processes most of the state's Medicaid claims. In calendar year 2003, MMIS processed more than \$3 billion in over 35 million transactions. The Department contracts with a vendor for MMIS services, including current system management, records retention, data security and maintenance of system files, programs and documentation. Most of the changes to the system's programming are performed by the vendor at the Administration's request.

The MMIS identifies two types of providers:

- Billing providers are those receiving payments for services. These types of providers are practice groups or independent individual practitioners. These providers are assigned numbers, and MMIS is programmed to recognize these numbers as having been approved for payment.
- Performing providers are part of a practice group. They perform services under the billing provider's number. They are enrolled in the system in this way so the Administration can identify which practitioners are rendering services to its clients and with which billing providers they are associated. Performing providers do not receive payments. Instead, the billing provider with whom they are associated receives payment for the services the performing providers rendered as members of the group. MMIS is programmed to automatically deny any claims submitted by performing providers as individuals.

Description of Condition

We found there are no system checks in MMIS that will prevent payment to a billing provider when the license of one of its performing providers has expired. MMIS tracks license expiration dates for both billing providers and performing providers. The Administration enters the termination code "C" into provider files to identify providers whose licenses have expired. This code should prevent providers from being paid for procedures they are not eligible to perform because their licenses have expired. We found, however, that MMIS continues to pay claims to the billing provider even when the termination code "C" has been entered for one of its performing providers.

Cause of Condition

MMIS has not been programmed to automatically deny a claim of a billing provider when the license of one of its performing providers has expired.

Effect of Condition

This internal control weakness could allow billing providers to be paid for services rendered by unlicensed practitioners within their groups. Federal and state funds cannot be used to pay for services rendered by practitioners who are not properly licensed.

Recommendations

We recommend the Administration establish controls to ensure it does not reimburse a billing provider for claims submitted for services performed by its unlicensed performing providers.

Department's response

The Department concurs with this finding.

- Identification of this control weakness is appreciated, and the Department is initiating systems modifications that will deny claims for any services delivered by an unlicensed performing provider (termination code "C").
- As a clarification, billing providers and performing providers are distinguished by the data field submitted on a claim, not by any distinction in the Medicaid Management Information System (MMIS). Although there are some providers designated in the MMIS as "ID Only" (not a "pay to" provider) the general rule is that the billing and performing providers are identified by the data field. The MMIS will deny claims where an ID Only provider submits as the billing provider. However, there are many instances where the billing and performing providers are the same. In such cases, the MMIS pays these as individual performing providers.

Auditor's Concluding Remarks

Applicable Laws and Regulations

The U.S. Office of Management and Budget's *Circular A-133 Compliance Supplement* states in part:

In order to receive Medicaid payments, providers of medical services furnishing services must be licensed in accordance with Federal, State, and local laws and regulations to participate in the Medicaid program....

Circular A-133, *Audits, of States, Local Governments, and Non-Profit Organizations*, Subpart C, Section .300 states:

The auditee shall:...

(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs....

The state Office of Financial Management's *State Administrative and Accounting Manual*, Section 20.20.20.a states, in part:

Each agency director is responsible for establishing and maintaining an effective system of internal control throughout the agency.

WAC 388-502-0010 states in part:

The Department reimburses enrolled providers for covered medical services, equipment and supplies they provide to eligible clients.

(1) To be eligible for enrollment, a provider must:

(a) Be licensed, certified, accredited, or registered according to Washington state laws and rules;...